

STATE OF MICHIGAN  
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

\* \* \* \* \*

In the matter, on the Commission's own motion,	)	
regarding the regulatory review, revisions,	)	
determinations, and/or approvals necessary for	)	
<b>CONSUMERS ENERGY COMPANY</b> to fully comply	)	Case No. U-17771
with Public Act 295 of 2008 and Public Act 342 of	)	
2016 (2016-2017 Energy Optimization Plan).	)	
_____	)	

At the July 31, 2017 meeting of the Michigan Public Service Commission in Lansing,  
Michigan.

PRESENT: Hon. Sally A. Talberg, Chairman  
Hon. Norman J. Saari, Commissioner  
Hon. Rachael A. Eubanks, Commissioner

**ORDER APPROVING PARTIAL SETTLEMENT AGREEMENT**

On March 13, 2017, Consumers Energy Company (Consumers) filed an application, along with supporting testimony and exhibits, requesting approval of an amended energy waste reduction (EWR) plan<sup>1</sup> for 2017 that amends the company's energy optimization (EO) plan prepared in accordance with 2008 PA 295, MCL 460.1001 *et seq.* (Act 295).

A prehearing conference was held on May 11, 2017 before Administrative Law Judge Mark D. Eyster (ALJ). The ALJ granted intervenor status to the Natural Resources Defense Council (NRDC), the Association of Businesses Advocating Tariff Equity (ABATE), and the Residential Customer Group (RCG). The Commission Staff also participated in the proceeding.

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<sup>1</sup> The EWR provisions now contained in Act 295 were added by the enactment of 2016 PA 342 (Act 342).

Subsequently, the parties submitted a partial settlement agreement resolving most issues in the case.

According to the terms of the partial settlement agreement, attached as Exhibit A, the parties agree that Consumers' amended 2017 EWR plan, as set forth in the company's application and as modified by the partial settlement agreement, should be approved.

The parties further agree that Consumers' proposed 2017 incremental investments in electric and gas EWR programs should be approved. In addition, the parties agree that for the purposes of settling the case, the costs of the additional 2017 electric and gas EWR investments will be allocated based on the level of EWR program spending within the rate class. Specifically, the parties agree residential customer incremental costs recovered as surcharges will not exceed \$535,953, including support services, for electric programs, with the business class paying the remaining incremental costs recovered as surcharges, and residential customer incremental costs recovered as surcharges will not exceed \$3,011,527, including support services, for gas programs with the business class paying the remaining incremental costs recovered as surcharges. The parties also agree recovery from a class will be equal to the investment applicable to that class until a decision is made regarding cost allocation in Consumers' 2018 - 2021 EWR plan (Case No. U-18261), which will establish the surcharges based on that allocation on a going-forward basis.

The parties further agree that Consumers will recover the electric and natural gas amended 2017 EWR plan costs via the levelized surcharges set forth on page 1 of Attachment A to the partial settlement agreement. The full surcharges (the sum of the approved plan component, low-income accounting adjustment, plus the approved performance incentive component) are set forth on pages 2 and 3 of Attachment A to the partial settlement agreement. The parties agree that the surcharges set forth in Attachment A shall continue in effect until the Commission issues a final

order approving surcharges in Consumers' 2018-2021 EWR plan (Case No. U-18261). The parties also agree that the surcharges set forth in Attachment A are based on an assumed implementation in August 2017 customer bills. Likewise, the parties agree that, if the surcharges are implemented in September 2017 or later, they shall be modified accordingly.

Additionally, the parties agree that the Commission should approve the continuation of accounting practices previously authorized by the Commission in its approval of the company's original 2017 EO plan, as well as the authority to rollover any unused funds into the next plan year. The parties agree that the Commission should grant Consumers continued authority to reallocate up to 30% of the overall EWR budget within each rate class to ensure program flexibility and stability for the more popular programs. This reallocation was approved in Case Nos. U-16412, U-16670, U-17351, and U-17771, and is authorized by Section 71(4)(h) of Act 295. The parties agree that Consumers should be granted authority to roll-forward any unspent EWR plan funds from 2017 to the 2017 amended plan which will apply in 2018.

The parties further agree that, for purposes of settlement of this proceeding, the earned 2017 EWR performance incentive mechanism (PIM) financial awards should be calculated based on the performance metrics and metric weightings contained in Attachment B to the partial settlement agreement. The parties agree that the 2017 EWR PIM will be based on annual lifetime energy savings, and Consumers will not use market transformation multipliers to calculate lifetime energy savings to demonstrate achievement of the financial awards.

Finally, the parties agree that the partial settlement agreement is intended to resolve all issues with the exception of whether the new financial incentive authorized by Section 75 of Act 342 applies to the EWR savings obtained on an annual basis during 2017, or whether the financial incentive authorized by Section 75 of Act 342 should be prorated to apply only to the part of 2017

after April 20, 2017 when Act 342 became effective. The parties agree to brief this single issue pursuant to the procedural schedule in place for this proceeding. In order to implement the 2017 EWR surcharges in an expeditious manner, the parties request that the Commission issue an order approving the partial settlement agreement as soon as reasonably possible after briefs and reply briefs have been filed.

The Commission finds that the partial settlement agreement is reasonable and in the public interest, and that it should be approved.

THEREFORE, IT IS ORDERED that:

A. The partial settlement agreement, attached as Exhibit A, is approved.

B. Consumers Energy Company's amended energy waste reduction plan, as modified by the partial settlement agreement, is approved as in compliance with 2008 PA 295 and 2016 PA 342. Consumers Energy Company's energy waste reduction surcharges, as modified by the partial settlement agreement, are approved effective for the August 2017 billing period. The surcharges set forth in Attachment A to the partial settlement agreement shall continue in effect until the Commission issues a final order approving surcharges in Consumers Energy Company's 2018 – 2021 energy waste reduction plan (Case No. U-18261).

C. Within ten days of the date of this order, Consumers Energy Company shall file tariff sheets substantially similar to those contained in Attachment A to the partial settlement agreement.

The Commission reserves jurisdiction and may issue further orders as necessary.

Any party desiring to appeal this order must do so by the filing of a claim of appeal in the Michigan Court of Appeals within 30 days of the issuance of this order, under MCL 462.26. To comply with the Michigan Rules of Court's requirement to notify the Commission of an appeal, appellants shall send required notices to both the Commission's Executive Secretary and to the Commission's Legal Counsel. Electronic notifications should be sent to the Executive Secretary at [mpscdockets@michigan.gov](mailto:mpscdockets@michigan.gov) and to the Michigan Department of the Attorney General - Public Service Division at [pungpl@michigan.gov](mailto:pungpl@michigan.gov). In lieu of electronic submissions, paper copies of such notifications may be sent to the Executive Secretary and the Attorney General - Public Service Division at 7109 W. Saginaw Hwy., Lansing, MI 48917.

MICHIGAN PUBLIC SERVICE COMMISSION

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Sally A. Talberg, Chairman

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Norman J. Saari, Commissioner

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Rachael A. Eubanks, Commissioner

By its action of July 31, 2017.

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Kavita Kale, Executive Secretary

## STATE OF MICHIGAN

## BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter, on the Commission's own motion,     )  
 regarding the regulatory review, revisions,     )  
 determinations, and/or approvals necessary for     )  
**CONSUMERS ENERGY COMPANY**     )  
 to fully comply with Public Act 295 of 2008     )  
 (2016-2017 Energy Optimization Plan)     )  
 \_\_\_\_\_)

Case No. U-17771

**PARTIAL SETTLEMENT AGREEMENT**

Pursuant to MCL 24.278 and Rule 333 of the Michigan Public Service Commission's ("MPSC" or the "Commission") Rules of Practice and Procedure, the undersigned parties agree as follows:

WHEREAS, Consumers Energy Company's ("Consumers Energy" or the "Company") 2016-2017 Energy Optimization ("EO") Plan was approved by the Michigan Public Service Commission ("MPSC" or the "Commission") in Case No. U-17771 (December 22, 2015 Order) pursuant to 2008 Public Act 295, MCL 460.1001 *et seq.*, ("Act 295"). That EO Plan is currently in effect.

WHEREAS, Consumers Energy filed an Application on March 13, 2017 seeking approval of an amended Energy Waste Reduction ("EWR") Plan which would amend the Company's approved EO Plan for 2017.

WHEREAS, the initial prehearing conference in this proceeding was held on May 11, 2017 before Administrative Law Judge Mark Eyster. The parties to the case are Consumers Energy, the Commission Staff, National Resources Defense Council, the Association of Businesses Advocating Tariff Equity, and the Residential Customer Group.

NOW THEREFORE, for purposes of settlement of the amended Case No. U-17771, the undersigned parties agree as follows:

1. The parties agree that the Company's filed amended 2017 EWR Plan should be approved as modified in this Settlement Agreement.

2. The parties agree that Consumers Energy's proposed 2017 incremental investments in electric and gas EWR programs should be approved.

3. The parties agree that for purposes of settlement of this amended 2017 EWR Plan proceeding, the costs of the additional 2017 electric and gas EWR investments should be allocated based on the level of EWR Program spending within the rate class. Specifically, for purposes of settling this case, residential customer incremental costs recovered as surcharges will not exceed \$535,953, including support services, for electric with the business class paying the remaining incremental costs recovered as surcharges. Likewise for purposes of settling this case, residential incremental customer costs recovered as surcharges will not exceed \$3,011,527, including support services, for gas with the business class paying the remaining incremental costs recovered as surcharges. In other words, the recovery from a class will be equal to the investment applicable to that class for this case, using a business as usual approach, until a decision is made regarding allocation in the 2018-2021 EWR Plan case, which would then reset the charges based on that allocation on a going forward basis.

4. The parties agree that Consumers Energy will recover the electric and natural gas amended 2017 EWR Plan costs via the surcharges set forth on page 1 of 3 of Attachment A to this Settlement Agreement. These EWR surcharges are the levelized surcharges for each customer group. The full surcharges (the sum of the approved plan component, low-income accounting adjustment, plus the approved performance incentive component) are set forth on

pages 2 and 3 of Attachment A. The surcharges set forth in Attachment A are based on an assumed implementation in August 2017 customer bills. If the surcharges are implemented in September 2017 or later, they would have to be modified accordingly.

5. The parties agree that Consumers Energy should be granted MPSC approval to continue the accounting practices previously authorized by the Commission in its approval of the Company's original 2017 EO Plan, and the authority to roll-over any unused funds into the next plan year funding.

6. The parties agree that the Company should be granted continued authority to reallocate up to 30% of the overall EWR within each rate class to ensure program flexibility and stability for the more popular programs. This reallocation was approved in Case Nos. U-16412, U-16670, U-17351, and U-17771, and is authorized by Section 71(4)(h) of Act 342.

7. The parties agree that the Company should be granted authority to roll-forward any unspent Energy Waste Reduction Plan funds from 2017 to the 2017 Amended Plan which will apply in 2018.

8. The parties agree that, for purposes of settlement of this proceeding, the earned 2017 EWR Performance Incentive Mechanism ("PIM") financial awards should be calculated based on the performance metrics and metric weightings contained in Attachment B to this Settlement Agreement. The parties agree that the 2017 EWR PIM will be based on annual lifetime energy savings, and the Company will not use market transformation multipliers to calculate lifetime energy savings to demonstrate achievement of the financial awards. Additionally, the parties agree that eligibility of the financial awards is determined first by demonstrating achievement of the annual incremental energy savings thresholds established in Section 75 of Public Act 342 of 2016 ("Public Act 342").



9. The parties agree that this Partial Settlement Agreement is intended to resolve all issues in this amended 2017 EWR Plan proceeding, with the exception of the issue of whether the financial incentive authorized by Section 75 of Public Act 342 applies to the EWR savings obtained on an annual basis during 2017, or whether the financial incentive authorized by Section 75 of Public Act 342 should be prorated to apply only to the part of 2017 after April 20, 2017. The parties agree to brief this single issue to the Commission pursuant to the procedural schedule in place for this proceeding. In order to implement the 2017 EWR surcharges in an expeditious manner, the parties request the Commission to issue an order approving this Partial Settlement Agreement as soon as reasonably possible, and to issue an order on the single disputed issue after briefs and reply briefs have been filed.

10. The parties agree that the surcharges set forth in Attachment A shall continue in effect until the Commission issues a final order approving surcharges in the Company's 2018 – 2021 EWR Plan (Case No. U-18261).

11. This settlement is entered into for the sole and express purpose of reaching a compromise among the parties. All offers of settlement and discussions relating to this settlement are, and shall be considered, privileged under MRE 408. If the Commission approves this Settlement Agreement without modification, neither the parties to this Settlement Agreement nor the Commission shall make any reference to, or use, this Settlement Agreement or the order approving it, as a reason, authority, rationale, or example for taking any action or position or making any subsequent decision in any other case or proceeding; provided, however, such references may be made to enforce or implement the provisions of this Settlement Agreement and the order approving it.


12. This Settlement Agreement is based on the facts and circumstances of this case and is intended for the partial disposition of amended Case No. U-17771. So long as the Commission approves this Settlement Agreement without any modification, the parties agree not to appeal, challenge, or otherwise contest the Commission order approving this Settlement Agreement. Except as otherwise set forth herein, the parties agree and understand that this Settlement Agreement does not limit any party's right to take new and/or different positions on similar issues in other administrative proceedings, or appeals related thereto.

13. This partial settlement is not severable. Each provision of the Partial Settlement Agreement is dependent upon all other provisions of this Partial Settlement Agreement. Failure to comply with any provision of this Partial Settlement Agreement constitutes failure to comply with the entire Partial Settlement Agreement. If the Commission rejects or modifies this Partial Settlement Agreement or any provision of the Partial Settlement Agreement, this Partial Settlement Agreement shall be deemed to be withdrawn, shall not constitute any part of the record in this proceeding or be used for any other purpose, and shall be without prejudice to the pre-negotiation positions of the parties.

14. The parties agree that approval of this Partial Settlement Agreement by the Commission would be reasonable and in the public interest.

WHEREFORE, the undersigned parties respectfully request the Michigan Public Service Commission to approve this Partial Settlement Agreement on an expeditious basis and to make it effective in accordance with its terms by order.


**CONSUMERS ENERGY COMPANY**

By:  Digitally signed by Kelly  
M. Hall  
Date: 2017.07.13 10:22:03  
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Date: July 13, 2017

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Gary A. Gensch, Jr. (P66912)  
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(517) 788-2910

**MICHIGAN PUBLIC SERVICE  
COMMISSION STAFF**

By: 

Date: July 13, 2017

Amit T. Singh (P75492)  
Heather M.S. Durian (P67587)  
Assistant Attorneys General  
7109 West Saginaw Highway  
Post Office Box 30221  
Lansing, MI 48909


**RESIDENTIAL CUSTOMER GROUP**

By: \_\_\_\_\_ Date: \_\_\_\_\_

Don L. Keskey, Esq. (P23003)  
Brian W. Coyer, Esq. (P40809)  
Public Law Resource Center PLLC  
333 Albert Avenue, Suite 425  
East Lansing, MI 48823

WHEREFORE, the undersigned parties respectfully request the Michigan Public Service Commission to approve this Partial Settlement Agreement on an expeditious basis and to make it effective in accordance with its terms by order.

**CONSUMERS ENERGY COMPANY**

By:  Digitally signed by Kelly  
M. Hall  
Date: 2017.07.13 10:22:03  
-04'00'

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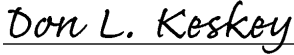
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**ASSOCIATION OF BUSINESSES ADVOCATING TARIFF EQUITY**

Sean P.  
Gallagher  
er

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Gallagher  
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Date: 07-13-2017  
\_\_\_\_\_

**NATURAL RESOURCES DEFENSE COUNCIL**



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420 East Front Street  
Traverse City, MI 49686

Date: 07-13-17  
\_\_\_\_\_

# ATTACHMENT A

Energy Efficiency Plan Surcharges

		(a)	(b)	(c)	(d)	(e)	
Description		Units	EE Plan Component <sup>(1)</sup>	Low-income Accounting Adjustment <sup>(2)</sup>	2015 Performance Incentive <sup>(3)</sup>	Incremental Surcharge	2017 Monthly Surcharges
<b>Electric Service (Consumers Plan)</b>							
1	Residential	\$/kWh	\$0.002652	-\$0.000155	\$0.000392	\$0.000031	\$0.002920
2	Small Secondary (0 to 1,250 kWhs per month)	\$/billing meter	1.31	0.07	0.23	0.88	2.49
3	Medium Secondary (1,251 to 5,000 kWhs per month)	\$/billing meter	7.44	0.39	1.27	4.95	14.05
4	Large Secondary (above 5,000 kWhs per month)	\$/billing meter	45.29	2.35	7.75	30.43	85.82
5	Small Primary (0 to 5,000 kWhs per month)	\$/billing meter	2.78	0.14	0.48	1.82	5.22
6	Small Medium Primary (5,001 to 10,000 kWhs per month)	\$/billing meter	21.73	1.11	3.68	14.00	40.52
7	Medium Primary (10,001 to 30,000 kWhs per month)	\$/billing meter	56.58	2.88	9.50	36.23	105.19
8	Large Medium Primary (30,001 to 50,000 kWhs per month)	\$/billing meter	100.88	5.46	18.05	69.00	193.39
9	Large Primary (above 50,000 kWhs per month)	\$/billing meter	539.05	28.66	94.69	366.13	1028.53
<b>Electric Service (Self-Direct Plan)</b>							
10	Small Secondary (0 to 1,250 kWhs per month)	\$/billing meter	0.06	-	-	-	0.06
11	Medium Secondary (1,251 to 5,000 kWhs per month)	\$/billing meter	0.34	-	-	-	0.34
12	Large Secondary (above 5,000 kWhs per month)	\$/billing meter	2.04	-	-	-	2.04
13	Small Primary (0 to 5,000 kWhs per month)	\$/billing meter	0.12	-	-	-	0.12
14	Small Medium Primary (5,001 to 10,000 kWhs per month)	\$/billing meter	0.97	-	-	-	0.97
15	Medium Primary (10,001 to 30,000 kWhs per month)	\$/billing meter	2.55	-	-	-	2.55
16	Large Medium Primary (30,001 to 50,000 kWhs per month)	\$/billing meter	4.51	-	-	-	4.51
17	Large Primary (above 50,000 kWhs per month)	\$/billing meter	22.76	-	-	-	22.76
<b>Gas Service (Consumers Plan)</b>							
18	Residential	\$/Mcf	\$0.1977	-\$0.0243	\$0.0246	\$0.0148	\$0.2128
19	Small Business (0 to 100,000 Mcf per year)	\$/Mcf	0.0809	0.0423	0.0206	0.0642	0.2080
20	Large Business (above 100,000 Mcf per year)	\$/Mcf	0.0024	0.0015	0.0008	0.0022	0.0069
<b>Gas Service (Large Transportation Opt-Out Pilot)</b>							
21	Large Business (above 100,000 Mcf per year)	\$/Mcf	0.0018	-	-	-	0.0018

( 1 ) As approved in Case No. U-17771

( 2 ) Four year low-income accounting adjustment as approved in Case No. U-17771

( 3 ) As approved in Case No. U-18025

**SURCHARGES**

<b>Rate Schedule</b>	<b>Renewable Energy Plan Surcharge (Case No. U-17301) Effective beginning the July 2014 Billing Month<sup>(5)</sup></b>	<b>Energy Efficiency Program Surcharge (Case No. U-17771) Effective beginning the August 2017 Billing Month<sup>(3)</sup></b>	<b>Energy Efficiency Self-Directed Customer Surcharge (Case No. U-17771) Effective beginning the January 2016 Billing Month<sup>(2)</sup></b>
Residential Rates	\$ 0.00/billing meter	\$ 0.002920/kWh	NA
Rate GS, GSTU, and GSD <sup>(1)</sup>			
Tier 1: 0 – 1,250 kWh/mo.	\$ 0.00/billing meter	\$ 2.49/billing meter	\$ 0.06/billing meter
Tier 2: 1,251 – 5,000 kWh/mo.	0.00/billing meter	14.05/billing meter	0.34/billing meter
Tier 3: 5,001 – 30,000 kWh/mo.	0.00/billing meter	85.82/billing meter	2.04/billing meter
Tier 4: 30,001 – 50,000 kWh/mo.	0.00/billing meter	85.82/billing meter	2.04/billing meter
Tier 5: > 50,000 kWh/mo.	0.00/billing meter	85.82/billing meter	2.04/billing meter
Rate GP, GPD, GPTU and EIP <sup>(1)</sup>			
Tier 1: 0 – 5,000 kWh/mo.	\$ 0.00/billing meter	\$ 5.22/billing meter	\$ 0.12/billing meter
Tier 2: 5,001 – 10,000 kWh/mo.	0.00/billing meter	40.52/billing meter	0.97/billing meter
Tier 3: 10,001 – 30,000 kWh/mo.	0.00/billing meter	105.19/billing meter	2.55/billing meter
Tier 4: 30,001 – 50,000 kWh/mo.	0.00/billing meter	193.39/billing meter	4.51/billing meter
Tier 5: > 50,000 kWh/mo.	0.00/billing meter	1,028.53/billing meter	22.76/billing meter
Rate GSG-2	NA	NA <sup>(4)</sup>	NA
Rate GML <sup>(6)</sup>			
Tier 1: 0 – 1,250 kWh/mo.	\$ 0.00/billing meter	NA	NA
Tier 2: 1,251 – 5,000 kWh/mo.	0.00/billing meter	NA	NA
Tier 3: > 5,000 kWh/mo.	0.00/billing meter	NA	NA
Rate GUL <sup>(6)</sup>	0.00/luminaire	NA	NA
Rate GU-XL <sup>(6)</sup>	0.00/luminaire	NA	NA
Rate GU			
Tier 1: 0 – 1,250 kWh/mo.	0.00/billed account	NA	NA
Tier 2: 1,251 – 5,000 kWh/mo.	0.00/billed account	NA	NA
Tier 3: > 5,000 kWh/mo.	0.00/billed account	NA	NA
Rate PA	NA	NA	NA
Rate ROA-R, ROA-S, ROA-P	NA	As in Delivery Rate Schedule	As in Delivery Rate Schedule

All Surcharges shall be applied on a monthly basis. The customer's consumption will be reviewed annually in the January bill month. Following the annual review, the customer may be subsequently moved to the Surcharge level for their applicable rate for the next billing period based on the customer's average consumption for the previous year. In situations where no historical consumption is available, the monthly Surcharge level will be based on the lowest consumption category for the secondary rate schedules or the lowest consumption category for primary rate schedules. No retroactive adjustment will be made due to the application of the REP or EE Surcharges associated with increases or decreases in consumption.

<sup>(1)</sup> Municipal Pumping customers shall be excluded from the Renewable Energy Plan Surcharge.

<sup>(2)</sup> An eligible customer who files and implements a self-directed plan in compliance with Rule C12 is required to pay the Energy Efficiency Self-Directed Program Surcharge.

<sup>(3)</sup> An Energy Efficiency Program Surcharge will be in effect for the period of the June 2009 Bill Month through the December 2017 Bill Month. The amount may vary during specific months as authorized by the Michigan Public Service Commission. Applicable cases include Case Nos. U-15805, U-16302, U-16303, U-16412, U-16670, U-16736, U-17281, U-17351, U-17601, U-17831, U-17771, and U-18025. The Surcharge for the period of the January 2017 Bill Month through the December 2017 Bill Month includes a financial incentive award in Case No. U-18025 and low-income accounting adjustment in Case No. U-17771, both of which were approved by the Michigan Public Service Commission. The Company will file a new tariff sheet to reflect the change in surcharges once the financial incentive recovery period has been completed.

<sup>(4)</sup> Rate GSG-2 Customers are eligible to opt-in to the Energy Efficiency Electric Program Surcharge. A GSG-2 customer electing to participate in the Energy Efficiency Electric Program will be charged the GPD, Tier 5: > 50,000 kWh/mo rate per billing meter per month.

<sup>(5)</sup> A Renewable Energy Plan Surcharge will be in effect for the period of the September 2009 Bill Month through the August 2029 Bill Month. The amount may vary during specific months as authorized by the Michigan Public Service Commission. Applicable cases include Case Nos. U-15805, U-16543, U-16581 and U-17301.

<sup>(6)</sup> Customer-Owned lighting fixtures served on Rate GML, GUL and Rate GU-XL are eligible to opt-in to the Energy Efficiency Program Surcharge. A GML, GUL or GU-XL customer electing to participate in the Energy Efficiency Electric Program will be charged the applicable surcharge as shown for Rate GS, GSTU, and GSD or Rate GP, GPD, GPTU and EIP, as applicable, per participating account per month.

Issued XXXX XX, XXXX by  
Patti Poppe,  
President and Chief Executive Officer,  
Jackson, Michigan

Effective for bills rendered on and after  
the Company's August 2017 Billing Month

Issued under authority of the  
Michigan Public Service Commission  
dated XXXX XX, XXXX  
in Case No. U-17771



M.P.S.C. No. 2 - Gas  
Consumers Energy Company

Sheet No. D-1.10

## SURCHARGES

Each Rate Schedule may be subject to Rule No. C8., Customer Attachment Program.

<u>Rate Schedule</u>	<u>Energy Efficiency<sup>(1)</sup> Program Surcharge (Case No. U-17771) Effective beginning the<sup>(2)</sup> August 2017 Billing Month</u>	<u>Energy Efficiency Large Gas Transportation Opt-Out Pilot Program Surcharge (Case No. U-16670)<sup>(3)</sup></u>
Rate A	\$0.2128/Mcf	NA
Rate A-1	0.2128/Mcf	NA
Rate GS-1	0.2080/Mcf	NA
Rate GS-2	0.2080/Mcf	NA
Rate GS-3		
0 – 100,000 / Year	0.2080/Mcf	NA
> 100,000 / Year	0.0069/Mcf	NA
Rate GL	NA	NA
Rate ST		
0 – 100,000 / Year	0.2080/Mcf	NA
> 100,000 / Year	0.0069/Mcf	\$0.0018/Mcf
Rate LT		
0 – 100,000 / Year	0.2080/Mcf	NA
> 100,000 / Year	0.0069/Mcf	0.0018/Mcf
Rate XLT		
0 – 100,000 / Year	0.2080/Mcf	NA
> 100,000 / Year	0.0069/Mcf	0.0018/Mcf
Rate CC	Per applicable distribution Rate Schedule	NA

<sup>(1)</sup> All surcharges shall be applied on a monthly basis. The customer's consumption will be reviewed annually in the January bill month. Following the annual review, the customer may be subsequently moved to the surcharge level for their applicable rate for the next billing period based on the customer's average consumption for the previous year. No retroactive adjustment will be made due to the application of EE surcharges associated with increases or decreases in consumption.

<sup>(2)</sup> An Energy Efficiency Program Surcharge will be in effect for the period of the June 2009 Bill Month through the December 2017 Bill Month. The amount may vary during specific months as authorized by the Michigan Public Service Commission. Applicable cases include Case Nos. U-15889, U-16302, U-16303, U-16412, U-16770, U-16736, U-17281, U-17351, U-17601, U-17831, U-17771, and U-18025. The surcharge for the period of the January 2017 Bill Month through the December 2017 Bill Month includes a financial incentive award in Case No. U-18025 and low-income accounting adjustment in Case No. U-17771, both of which were approved by the Michigan Public Service Commission. The Company will file a new tariff sheet to reflect the change in surcharges once the financial incentive recovery period has been completed.

<sup>(3)</sup> Gas Transportation customers on Rate ST, LT or XLT using more than 100,000 Mcf per year may be eligible to opt-out of the Energy Efficiency program. Eligible customers who elect to opt-out of the Energy Efficiency program will pay the Energy Efficiency Large Gas Transportation Opt-Out Pilot Program surcharge per Mcf on a monthly basis. Eligibility is determined solely by the Company and is dependent upon terms and conditions of the Energy Efficiency Large Gas Transportation Customer Opt-Out Pilot Program as authorized in the April 17, 2012 order in Case No. U-16670.

Issued XXXX XX, XXXX by  
Patti Poppe,  
President and Chief Executive Officer,  
Jackson, Michigan

Effective for bills rendered on and after  
the Company's August 2017 Billing Month

Issued under authority of the  
Michigan Public Service Commission  
dated XXXX XX, XXXX  
in Case No. U-17771

# ATTACHMENT B

Calculation of Annual Energy Savings Targets  
Electric Service (Megawatt-hours)

Line No.	Description	( a )	( b )
		2016	2017
1	Retail Electric Sales <sup>(1)</sup>	33,182,963	33,259,951
2	Pior Year Weather Normal Sales		33,182,963
3	Electric Statutory Savings Percentage		1.0%
4	Electric Statutory Savings Target		331,830

Notes:

( 1 ) Exhibit A-\_\_\_\_(EMB-1), column g.

Calculation of Annual Energy Savings Targets  
Natural Gas Service (Thousand Cubic Feet)

Line No.	Description	( a )	( b )
		2016	2017
1	Retail Gas Sales <sup>(1)</sup>	223,550,000	222,498,000
2	Total Transportation Deliveries <sup>(2)</sup>	80,447,000	78,933,000
3	Small & Medium Business ( < 100,000 Mcf) <sup>(3)</sup>	28,534,551	25,148,000
4	Large Business ( ≥ 100,000 Mcf) <sup>(3)</sup>	51,912,449	53,785,000
5	Savings Reduction Factor (%) <sup>(4)</sup>	17.5%	16.5%
6	Adjusted Transport ≥ 100,000 Mcf	9,103,790	8,852,264
7	Total Adjusted Gas Deliveries	261,188,341	256,498,264
8	Prior Year Weather Normal		261,188,341
9	Gas Statutory Savings Percentage		0.75%
10	Gas Statutory Savings Target		1,958,913

Notes:

( 1 ) Exhibit A-\_\_\_\_(EMB-2), sum of columns b through e

( 2 ) Exhibit A-\_\_\_\_(EMB-2), column f

( 3 ) WP-EMB-3

( 4 ) A-\_\_\_\_(TAY-1), page 3, line 6

Calculation of Annual Energy Savings Targets  
Savings Reduction Factor

Line No.	Description	2016	2017	Source
1	Large Business Revenue (\$)	\$ 34,002,654	\$ 34,014,000	WP-EMB-3
2	Large Business Deliveries (Mcf)	51,912,449	53,785,000	WP-EMB-3
3	Average GCR Rate (\$/Mcf)	\$ 3.0800	\$ 3.2100	
4	Imputed Commodity Revenue (\$)	\$ 159,890,343	\$ 172,649,850	line 2 x line 3
5	Imputed Large Business Revenue (\$)	\$ 193,892,997	\$ 206,663,850	line 1 + line 4
6	Savings Reduction Factor (%)	17.5%	16.5%	line 1 / line 5

2017 Amended Energy Optimization/Energy Waste Reduction Plan  
Investments, Savings, & Benefit-Cost Results  
(Electric Programs)

	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
Line No.	Description	Investments (\$)	Annual Energy Savings (MWh)	Lifetime Energy Savings (MWh)	Demand Savings (MW)	Benefit-Cost Results			
						UCT	TRC	RIM	Participant
<b>Residential Class</b>									
1	Appliance Recycling	\$ 4,700,042	23,533	193,466	2.8	2.21	1.89	0.29	16.89
2	ENERGY STAR Appliances	343,517	1,197	12,165	0.3	3.48	2.28	0.53	5.45
3	ENERGY STAR Lighting	7,786,192	74,497	1,117,456	7.2	6.88	2.13	0.29	8.95
4	Home Energy Analysis	2,617,542	3,164	41,761	0.3	0.97	0.97	0.25	-
5	Home Energy Report	1,666,043	53,843	53,843	8.7	0.93	0.93	0.20	-
6	Home Performance with ENERGY STAR	411,759	281	3,939	0.1	0.88	0.58	0.35	2.28
7	HVAC and Water Heating	2,823,819	8,619	90,527	1.4	2.29	1.06	0.38	3.71
8	Income Qualified Energy Assistance	3,794,881	3,921	51,260	0.5	0.77	0.72	0.23	31.07
9	Insulation and Windows Program	1,025,122	500	12,115	0.3	1.31	0.87	0.50	2.71
10	Residential Agriculture	168,594	894	13,465	0.1	3.88	2.23	0.28	10.78
11	Residential Multifamily	3,066,228	3,870	56,318	0.7	1.27	1.11	0.29	18.56
12	New Home Construction	418,506	242	4,114	-	0.58	0.33	0.23	1.85
13	THINK! ENERGY	622,000	1,708	24,266	0.1	2.06	2.06	0.26	-
14	Residential Pilot	1,853,808	9,580	9,580	-	-	-	-	-
15	<i>Residential Subtotal</i>	<u>\$ 31,298,052</u>	<u>185,849</u>	<u>1,684,277</u>	<u>22.6</u>	<u>3.06</u>	<u>1.66</u>	<u>0.29</u>	<u>9.36</u>
<b>Business Class</b>									
16	Business Solutions	\$ 53,310,500	263,357	4,011,443	44.1	3.88	1.56	0.38	5.24
17	Small Business Direct Install	9,588,993	36,120	499,648	7.1	2.68	2.27	0.37	36.52
18	Business Multifamily	419,024	2,661	40,676	0.4	4.83	1.78	0.35	5.94
19	Electric Self-directed	-	-	-	-	-	-	-	-
20	Business Pilots	3,846,306	16,421	16,421	-	-	-	-	-
21	<i>Business Subtotal</i>	<u>\$ 67,164,823</u>	<u>318,559</u>	<u>4,568,188</u>	<u>51.6</u>	<u>3.53</u>	<u>1.60</u>	<u>0.37</u>	<u>5.94</u>
<b>Support Services</b>									
22	Utility Oversight	\$ 6,542,431	-	-	-	-	-	-	-
23	Tracking System	1,084,401	-	-	-	-	-	-	-
24	Education & Awareness	3,420,068	15,600	15,600	-	-	-	-	-
25	EM&V	4,492,503	-	-	-	-	-	-	-
26	<i>Support Services Subtotal</i>	<u>\$ 15,539,403</u>	<u>15,600</u>	<u>15,600</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
27	<b>Total Energy Efficiency Portfolio</b>	<u>\$ 114,002,278</u>	<u>520,008</u>	<u>6,268,064</u>	<u>74.2</u>	<u>3.38</u>	<u>1.62</u>	<u>0.34</u>	<u>6.72</u>

2017 Amended Energy Optimization/Energy Waste Reduction Plan  
Investments, Savings, & Benefit-Cost Results  
(Natural Gas Programs)

Line No.	Description	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
		Investments	Annual Energy Savings	Lifetime Energy Savings	Benefit-Cost Results				Participant
		(\$)	(Mcf)	(Mcf)	UCT	TRC	RIM		
<b>Residential Class</b>									
1	Appliance Recycling	\$ -	-	-	-	-	-	-	-
2	ENERGY STAR Appliances	680,060	40,816	370,844	1.36	1.21	0.37	4.46	
3	ENERGY STAR Lighting	-	-	-	-	-	-	-	
4	Home Energy Analysis	2,248,601	88,370	908,124	1.03	1.03	0.34	-	
5	Home Energy Report	2,336,295	246,820	246,820	0.30	0.30	0.20	-	
6	Home Performance with ENERGY STAR	1,033,429	25,257	404,378	0.93	0.52	0.33	1.77	
7	HVAC and Water Heating	9,802,525	535,149	7,101,184	1.70	0.73	0.39	2.09	
8	Income Qualified Energy Assistance	7,342,593	79,039	910,128	0.32	0.32	0.20	6.60	
9	Insulation and Windows Program	1,389,349	53,001	1,260,141	1.91	0.18	0.40	0.45	
10	Residential Agriculture	3,170	-	-	-	-	-	-	
11	Residential Multifamily	1,631,837	105,191	1,438,386	1.95	0.81	0.40	2.22	
12	New Home Construction	1,189,730	17,574	293,301	0.61	0.29	0.28	1.06	
13	THINK! ENERGY	987,497	39,572	395,724	1.02	1.02	0.33	-	
14	Residential Pilot	1,726,567	66,891	66,891	-	-	-	-	
15	<i>Residential Subtotal</i>	<u>\$ 30,371,653</u>	<u>1,297,679</u>	<u>13,395,921</u>	<u>1.23</u>	<u>0.54</u>	<u>0.36</u>	<u>1.71</u>	
<b>Business Class</b>									
16	Business Solutions	\$ 16,218,784	1,232,098	17,931,376	2.72	0.46	0.53	0.85	
17	Small Business Direct Install	144,879	5,518	43,480	0.84	0.34	0.37	0.88	
18	Business Multifamily	432,225	27,086	345,131	2.02	0.69	0.50	1.44	
19	Electric Self-directed	-	-	-	-	-	-	-	
20	Business Pilots	965,205	68,734	68,734	-	-	-	-	
21	<i>Business Subtotal</i>	<u>\$ 17,761,093</u>	<u>1,333,436</u>	<u>18,388,721</u>	<u>2.62</u>	<u>0.47</u>	<u>0.53</u>	<u>0.89</u>	
<b>Support Services</b>									
22	Utility Oversight	\$ 2,206,639	-	-	-	-	-	-	
23	Tracking System	365,748	-	-	-	-	-	-	
24	Education & Awareness	1,615,063	81,374	81,374	-	-	-	-	
25	EM&V	1,515,237	-	-	-	-	-	-	
26	<i>Support Services Subtotal</i>	<u>\$ 5,702,687</u>	<u>81,374</u>	<u>81,374</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
27	<b>Total Energy Efficiency Portfolio</b>	<u>\$ 53,835,433</u>	<u>2,712,489</u>	<u>31,866,016</u>	<u>1.80</u>	<u>0.50</u>	<u>0.44</u>	<u>1.15</u>	

**Electric Savings Target**

Description	Forecasted 1st Year MWh Savings ( a )	Average Measure Life ( b )	Forecast Lifetime MWh Savings ( c ) = a x b	Forecasted 1st Year Savings as % of Sales ( d )	Statutory Minimum Savings as % of Sales ( e )	Statutory Minimum Lifetime MWh Savings ( f ) = (c/d) x e
Residential Programs	185,849	9.06	1,684,277	n.a.	n.a.	n.a.
Business Programs	318,559	14.34	4,568,188	n.a.	n.a.	n.a.
Education Programs	15,600	1.00	15,600	n.a.	n.a.	n.a.
Total	520,008	12.05	6,268,065	1.57%	1.00%	<b>3,992,398</b>

**Gas Savings Target**

Description	Forecasted 1st Year Mcf Savings ( a )	Average Measure Life ( b )	Forecast Lifetime Mcf Savings ( c ) = a x b	Forecasted 1st Year Savings as % of Sales ( d )	Statutory Minimum Savings as % of Sales ( e )	Statutory Minimum Lifetime Mcf Savings ( f ) = (c/d) x e
Residential Programs	1,297,679	10.32	13,395,921	n.a.	n.a.	n.a.
Business Programs	1,333,436	13.79	18,388,721	n.a.	n.a.	n.a.
Education Programs	81,374	1.00	81,374	n.a.	n.a.	n.a.
Total	2,712,489	11.75	31,866,016	1.04%	0.75%	<b>22,980,300</b>



## Calculation of the 2017 Annual Financial Incentive Mechanism Performance Metrics

		Metric Weight	Targets	
<b><i>Electric Performance Metrics</i></b>				
1	Lifetime Savings <sup>(1)</sup>			
2	Lifetime Savings (1.00% - 1.25%)	100%	3,992,398	MWh
3	Lifetime Savings (1.26% - 1.50%)	100%	5,030,422	MWh
4	Lifetime Savings (> 1.50%)	100%	5,988,597	MWh
<b><i>Natural Gas Performance Metrics</i></b>				
5	Lifetime Savings <sup>(2)</sup>			
6	Lifetime Savings (0.75% - 0.875%)	100%	22,980,300	Mcf
7	Lifetime Savings (0.876% - 1.00%)	100%	26,840,990	Mcf
8	Lifetime Savings (> 1.00%)	100%	30,640,400	Mcf

Notes:

## ( 1 ) Electric Financial Incentive Tiers

1.00% - 1.25% Lifetime Savings = lower of \_\_\_% of investment or \_\_\_% of net benefit

1.26% - 1.50% Lifetime Savings = lower of \_\_\_% of investment or \_\_\_% of net benefit

&gt; 1.50% Lifetime Savings = lower of \_\_\_% of investment or \_\_\_% of net benefit

## ( 2 ) Gas Financial Incentive Tiers

0.75% - 0.875% Lifetime Savings = lower of \_\_\_% of investment or \_\_\_% of net benefit

0.876% - 1.00% Lifetime Savings = lower of \_\_\_% of investment or \_\_\_% of net benefit

&gt; 1.00% Lifetime Savings = lower of \_\_\_% of investment or \_\_\_% of net benefit